UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **June 29, 2013**

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to _________ .

Commission file number: 001-34198

SUNOPTA INC.
(Exact name of registrant as specified in its charter)

CANADA	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2838 Bovaird Drive West **Brampton, Ontario L7A 0H2, Canada**	**(905) 455-1990**
(Address of principal executive offices)	(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [x] No[ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [x] No[ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [ ]	Accelerated filer [x]
Non-accelerated filer [ ]	Smaller reporting company [ ]
(Do not check if a smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ] No[x]

The number of the registrant s common shares outstanding as of August 2, 2013 was 66,331,639.

SUNOPTA INC.
FORM 10-Q
For the quarterly period ended June 29, 2013

TABLE OF CONTENTS

Basis of Presentation

Except where the context otherwise requires, all references in this Quarterly Report on Form 10-Q (Form 10-Q) to the Company , SunOpta , we , us , our or similar words and phrases are to SunOpta Inc. and its subsidiaries, taken toge

In this report, all currency amounts are expressed in thousands of United States (U.S.) dollars ($), except per share amounts, unless otherwise stated. Amounts expressed in Canadian dollars are expressed in thousands of Canadian dollars and preceded by the symbol Cdn $, and amounts expressed in euros are expressed in thousands of euros and preceded by the symbol € . As at June 29, 2013, the closing rates of exchange for the U.S. dollar, expressed in Canadian dollars and euros, were $1.00 = Cdn $1.0518 and $1.00 = €0.7682. These rates are provided solely for convenience and do not necessarily reflect the rates used in the preparation of our financial statements.

Forward-Looking Statements

This Form 10-Q contains forward-looking statements which are based on our current expectations and assumptions and involve a number of risks and uncertainties. Generally, forward-looking statements do not relate strictly to historical or current facts and are typically accompanied by words such as anticipate , estimate , intend , proje potential , continue , believe , expect , could , would , should , might , plan , will , may , predict , t and words and phrases of similar impact and include, but are not limited to references to possible operational consolidation, reduction of non-core assets and operations, business strategies, plant and production capacities, revenue generation potential, anticipated construction costs, competitive strengths, goals, capital expenditure plans, business and operational growth and expansion plans, anticipated operating margins and operating income targets, gains or losses associated with business transactions, cost reductions, rationalization and improved efficiency initiatives, proposed new product offerings, and references to the future growth of the business and global markets for the Company s products. These forward-looking statements are made pursuant to the safe harbor provisions of the

Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on certain assumptions and analyses we make in light of our experience and our interpretation of current conditions, historical trends and expected future developments, as well as other factors that we believe are appropriate in the circumstance.

Whether actual results and developments will agree with our expectations and predictions is subject to many risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results to differ materially from our expectations and predictions. We believe these factors include, but are not limited to, the following:

- our ability to renew our syndicated North American credit facilities when they become due on July 27, 2016;
- restrictions in our syndicated credit agreement on how we may operate our business;
- our ability to meet the covenants of our credit facilities;
- our potential additional capital needs in order to maintain current growth rates, which may not be available on favorable terms or at all;
- our customers ability to choose not to buy products from us;
- loss of a key customer;
- changes in and difficulty in predicting consumer preferences for natural and organic food products;
- the highly competitive industry in which we operate;
- an interruption at one or more of our manufacturing facilities;
- the loss of service of our key management;
- the effective management of our supply chain;
- volatility in the prices of raw materials and energy;
- enactment of climate change legislation;
- unfavorable growing conditions due to adverse weather conditions;
- dilution in the value of our common shares through the exercise of stock options, warrants, participation in our employee stock purchase plan and issuance of additional securities;
- impairment charges in goodwill or other intangible assets;
- technological innovation by our competitors;
- our ability to protect our intellectual property and proprietary rights;
- substantial environmental regulation and policies to which we are subject;
- significant food and health regulations to which SunOpta Foods is subject;
- agricultural policies that influence our operations;
- product liability suits, recalls and threatened market withdrawals that may be brought against us;
- litigation and regulatory enforcement concerning marketing and labeling of food products;
- value of our ownership position in Opta Minerals Inc.;

- our lack of management and operational control over Mascoma Corporation;
- fluctuations in exchange rates, interest rates and certain commodities;
- our ability to effectively manage our growth and integrate acquired companies; and
- the volatility of our operating results and share price.

Consequently all forward-looking statements made herein are qualified by these cautionary statements and there can be no assurance that our actual results or the developments we anticipate will be realized. The foregoing factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and in our Annual Report on Form 10-K for the fiscal year ended December 29, 2012 (Form 10-K). For a more detailed discussion of the principal factors that could cause actual results to be materially different, you should read the risk factors under Item 1A, Risk Factors , of the Form 10-K.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

SunOpta Inc.
Consolidated Statements of Operations
For the quarter and two quarters ended June 29, 2013 and June 30, 2012
(Unaudited)
(Expressed in thousands of U.S. dollars, except per share amounts)

		Quarter ended		Two quarters ended
	June 29, 2013 $	June 30, 2012 $	June 29, 2013 $	June 30, 2012 $
Revenues	311,170	282,308	593,995	541,636
Cost of goods sold	274,187	245,220	522,762	470,062
Gross profit	36,983	37,088	71,233	71,574
Selling, general and administrative expenses	22,839	22,086	45,750	42,516
Intangible asset amortization	1,200	1,235	2,448	2,428
Other expense, net (note 9)	647	1,378	1,012	1,742
Foreign exchange gain	(356)	(581)	(941)	(499)
Earnings from continuing operations before the following	12,653	12,970	22,964	25,387
Interest expense, net	2,238	2,558	3,928	5,141
Impairment loss on investment (note 6)	21,495	-	21,495	-
Earnings (loss) from continuing operations before income taxes	(11,080)	10,412	(2,459)	20,246
Provision for income taxes	3,958	2,769	7,233	6,355
Earnings (loss) from continuing operations	(15,038)	7,643	(9,692)	13,891
Discontinued operations				
Earnings (loss) from discontinued operations, net of income taxes	(302)	214	(360)	405
Gain on sale of discontinued operations, net of income taxes	-	676	-	676
Earnings (loss) from discontinued operations, net of income taxes	(302)	890	(360)	1,081

(note 3)				
Earnings (loss)	(15,340)	8,533	(10,052)	14,972
Earnings (loss) attributable to non-controlling interests	(59)	388	104	935
Earnings (loss) attributable to SunOpta Inc.	(15,281)	8,145	(10,156)	14,037
Earnings (loss) per share basic (note 10)				
- from continuing operations	(0.23)	0.11	(0.15)	0.20
- from discontinued operations	-	0.01	(0.01)	0.02
	(0.23)	0.12	(0.15)	0.21
Earnings (loss) per share diluted (note 10)				
- from continuing operations	(0.23)	0.11	(0.15)	0.19
- from discontinued operations	-	0.01	(0.01)	0.02
	(0.23)	0.12	(0.15)	0.21

(See accompanying notes to consolidated financial statements)

SunOpta Inc.
Consolidated Statements of Comprehensive Earnings
For the quarter and two quarters ended June 29, 2013 and June 30, 2012
(Unaudited)
(Expressed in thousands of U.S. dollars)

	Quarter ended		Two quarters ended	
	June 29, 2013 $	June 30, 2012 $	June 29, 2013 $	June 30, 2012 $
Earnings (loss) from continuing operations	(15,038)	7,643	(9,692)	13,891
Earnings (loss) from discontinued operations, net of income taxes	(302)	890	(360)	1,081
Earnings (loss)	(15,340)	8,533	(10,052)	14,972
Currency translation adjustment	1,076	(1,927)	(508)	(828)
Change in fair value of interest rate swap, net of taxes (note 4)	454	(115)	220	(155)
Other comprehensive earnings (loss), net of income taxes	1,530	(2,042)	(288)	(983)
Comprehensive earnings (loss)	(13,810)	6,491	(10,340)	13,989
Comprehensive earnings attributable to non-controlling interests	321	167	296	779
Comprehensive earnings (loss) attributable to SunOpta Inc.	(14,131)	6,324	(10,636)	13,210

(See accompanying notes to consolidated financial statements)

SunOpta Inc.
Consolidated Balance Sheets
As at June 29, 2013 and December 29, 2012
(Unaudited)
(Expressed in thousands of U.S. dollars)

	June 29, 2013 $	December 29, 2012 $
ASSETS		
Current assets		
Cash and cash equivalents (note 11)	6,460	6,840
Restricted cash (note 7)	6,495	6,595
Accounts receivable	120,680	113,314
Inventories (note 5)	249,407	255,738
Prepaid expenses and other current assets	19,862	20,538
Current income taxes recoverable	676	1,814
Deferred income taxes	3,178	2,653
	406,758	407,492
Investment (note 6)	12,350	33,845
Property, plant and equipment	155,141	140,579
Goodwill	57,022	57,414
Intangible assets	49,788	52,885
Deferred income taxes	12,565	12,879
Other assets	1,234	2,216
	694,858	707,310
LIABILITIES		
Current liabilities		
Bank indebtedness (note 7)	142,977	131,061
Accounts payable and accrued liabilities	113,459	128,544
Customer and other deposits	9,127	4,734
Income taxes payable	3,358	4,125
Other current liabilities	2,873	2,660
Current portion of long-term debt (note 7)	6,393	6,925
Current portion of long-term liabilities	689	1,471
	278,876	279,520
Long-term debt (note 7)	46,122	51,273
Long-term liabilities	4,949	5,544
Deferred income taxes	28,944	27,438
	358,891	363,775
EQUITY		
SunOpta Inc. shareholders equity		
Common shares, no par value, unlimited shares authorized, 66,305,459 shares issued (December 29, 2012 - 66,007,236)	184,742	183,027

Additional paid-in capital	17,912	16,855
Retained earnings	114,576	124,732
Accumulated other comprehensive income	1,057	1,537
	318,287	326,151
Non-controlling interests	17,680	17,384
Total equity	335,967	343,535
	694,858	707,310

Commitments and contingencies (note 12)

(See accompanying notes to consolidated financial statements)

SunOpta Inc.
Consolidated Statements of Shareholders Equity
As at and for the two quarters ended June 29, 2013 and June 30, 2012
(Unaudited)
(Expressed in thousands of U.S. dollars)

	Common shares		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Non-controlling interests	Total
	000s	$	$	$	$	$	$
Balance at December 29, 2012	66,007	183,027	16,855	124,732	1,537	17,384	343,535
Employee share purchase plan	46	289	-	-	-	-	289
Exercise of options	252	1,426	(484)	-	-	-	942
Stock-based compensation	-	-	1,541	-	-	-	1,541
Loss from continuing operations	-	-	-	(9,796)	-	104	(9,692)
Loss from discontinued operations, net of income taxes	-	-	-	(360)	-	-	(360)
Currency translation adjustment	-	-	-	-	(625)	117	(508)
Change in fair value of interest rate swap, net of income taxes (note 4)	-	-	-	-	145	75	220
Balance at June 29, 2013	66,305	184,742	17,912	114,576	1,057	17,680	335,967

	Common shares		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Non-controlling interests	Total
	000s	$	$	$	$	$	$
Balance at December 31, 2011	65,796	182,108	14,134	100,508	2,382	15,816	314,948
Employee share purchase plan	61	286	-	-	-	-	286
Exercise of options	58	210	(73)	-	-	-	137
Stock-based compensation	-	-	1,428	-	-	-	1,428
Earnings from continuing operations	-	-	-	12,956	-	935	13,891
	-	-	-	1,081	(1,359)	-	(278)

Earnings from discontinued operations, net of income taxes							
Currency translation adjustment	-	-	-	-	(724)	(104)	(828)
Change in fair value of interest rate swap, net of income taxes (note 4)	-	-	-	-	(103)	(52)	(155)
Payment to non-controlling interests	-	-	-	-	-	(115)	(115)
Balance at June 30, 2012	65,915	182,604	15,489	114,545	196	16,480	329,314

(See accompanying notes to consolidated financial statements)

SunOpta Inc.
Consolidated Statements of Cash Flows
For the quarter and two quarters ended June 29, 2013 and June 30, 2012
(Unaudited)
(Expressed in thousands of U.S. dollars)

		Quarter ended		Two quarters ended
	June 29, 2013 $	June 30, 2012 $	June 29, 2013 $	June 30, 2012 $
CASH PROVIDED BY (USED IN)				
Operating activities				
Earnings (loss)	(15,340)	8,533	(10,052)	14,972
Earnings (loss) from discontinued operations	(302)	890	(360)	1,081
Earnings (loss) from continuing operations	(15,038)	7,643	(9,692)	13,891
Items not affecting cash:				
Depreciation and amortization	5,429	5,018	10,849	9,791
Deferred income taxes	564	1,630	1,505	3,716
Stock-based compensation	856	740	1,541	1,328
Unrealized loss on derivative instruments (note 4)	199	1,215	942	1,897
Impairment loss on investment (note 6)	21,495	-	21,495	-
Other	(219)	173	103	616
Changes in non-cash working capital, net of businesses acquired (note 11)	15,191	12,547	(4,985)	(9,383)
Net cash flows from operations - continuing operations	28,477	28,966	21,758	21,856
Net cash flows from operations - discontinued operations	(4,570)	(168)	(4,608)	(316)
	23,907	28,798	17,150	21,540
Investing activities				
Acquisitions of businesses, net of cash acquired (note 2)	-	-	(3,828)	(17,530)
Purchases of property, plant and equipment	(14,083)	(6,995)	(21,976)	(11,914)

Payment of contingent consideration	(1,074)	(327)	(1,074)	(327)
Other	(341)	(129)	(838)	(231)
Net cash flows from investing activities - continuing operations	(15,498)	(7,451)	(27,716)	(30,002)
Net cash flows from investing activities - discontinued operations	-	12,147	-	12,134
	(15,498)	4,696	(27,716)	(17,868)
Financing activities				
Increase (decrease) under line of credit facilities (note 7)	(7,857)	(29,534)	12,782	(10,526)
Borrowings under long-term debt (note 7)	112	285	344	19,373
Repayment of long-term debt (note 7)	(1,601)	(3,793)	(4,020)	(10,823)
Financing costs	(9)	(1,084)	(23)	(1,175)
Proceeds from the issuance of common shares	567	266	1,231	423
Other	20	(26)	(25)	(29)
Net cash flows from financing activities - continuing operations	(8,768)	(33,886)	10,289	(2,757)
Foreign exchange gain (loss) on cash held in a foreign currency	110	(90)	(103)	(46)
Increase (decrease) in cash and cash equivalents in the period	(249)	(482)	(380)	869
Cash and cash equivalents - beginning of the period	6,709	3,729	6,840	2,378
Cash and cash equivalents - end of the period	6,460	3,247	6,460	3,247

Supplemental cash flow information (note 11)

(See accompanying notes to consolidated financial statements)

SunOpta Inc.
Notes to Consolidated Financial Statements
For the quarters ended June 29, 2013 and June 30, 2012
(Unaudited)
(Expressed in thousands of U.S. dollars, except per share amounts)

1. Description of Business and Significant Accounting Policies

SunOpta Inc. (the Company or SunOpta) was incorporated under the laws of Canada on November 13, 1973. The Company operates businesses focused on a healthy products portfolio that promotes sustainable well-being. The Company has two business segments, the largest being SunOpta Foods, which consists of four operating segments that operate in the natural, organic and specialty food sectors and utilizes a number of integrated business models to bring cost-effective and quality products to market. In addition to SunOpta Foods, the Company owned approximately 66.1% of Opta Minerals Inc. (Opta Minerals) as at June 29, 2013 and December 29, 2012. Opta Minerals is a vertically integrated provider of custom process solutions and industrial mineral products for use primarily in the steel, foundry, loose abrasive cleaning, and municipal water filtration industries. As at June 29, 2013 and December 29, 2012, the Company also held an 18.7% equity ownership position in Mascoma Corporation (Mascoma), an innovative biofuels company (see note 6).

Basis of presentation

The interim consolidated financial statements of the Company have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X promulgated under the Securities Exchange Act of 1934, as amended, and in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information. Accordingly, these condensed interim consolidated financial statements do not include all of the disclosures required by U.S. GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included and all such adjustments are of a normal, recurring nature. Operating results for the quarter and two quarters ended June 29, 2013 are not necessarily indicative of the results that may be expected for the full year ending December 28, 2013 or for any other period. The interim consolidated financial statements include the accounts of the Company and its subsidiaries, and have been prepared on a basis consistent with the annual consolidated financial statements for the year ended December 29, 2012. For further information, refer to the consolidated financial statements, and notes thereto, included in the Company s Annual Report on Form 10-K for the fiscal year ended December 29, 2012.

SunOpta Inc.
Notes to Consolidated Financial Statements
For the quarters ended June 29, 2013 and June 30, 2012
(Unaudited)
(Expressed in thousands of U.S. dollars, except per share amounts)

2. Business Acquisition

Bulgarian Processing Operation

On December 31, 2012, the Company acquired a grains handling and processing facility located in Silistra, Bulgaria and operated as the Organic Land Corporation OOD (OLC). The facility is located near a protected and chemical free agricultural area, which produces organic products including sunflower, flax seed, corn, barley and soybeans. This acquisition diversified the Company s organic sunflower processing operations and should allow it to expand its capabilities into the other organic products grown in the region following the expansion of production capabilities. The Company had been sourcing non-genetically modified sunflower kernel from OLC from late 2011 through to the date of acquisition. Since the acquisition date, the results of operations of OLC have been included in the International Foods Group.

This transaction has been accounted for as a business combination under the acquisition method of accounting. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed, as well as the total consideration transferred to effect the acquisition of OLC as of the acquisition date.

	$
Cash and cash equivalents	70
Accounts receivables	378
Inventories	55
Other current assets	21
Property, plant and equipment	4,067
Accounts payable and accrued liabilities	(228)
Long-term debt(1)	(465)
Total cash consideration	3,898

(1) Subsequent to the acquisition date, the Company fully repaid OLC s existing bank loans.

The revenue and earnings of OLC from the date of acquisition to June 29, 2013 were not material to the Company s consolidated results of operations. In addition, assuming the acquisition had occurred as of January 1, 2012, the results of operations of OLC would not have had a material pro forma effect on the Company s revenues, earnings and earnings per share for the quarter and two quarters ended June 30, 2012.

SunOpta Inc.
Notes to Consolidated Financial Statements
For the quarters ended June 29, 2013 and June 30, 2012
(Unaudited)
(Expressed in thousands of U.S. dollars, except per share amounts)

3. Discontinued Operations

Purity Life Natural Health Products

On June 5, 2012, the Company completed the sale of Purity Life Natural Health Products (Purity), its Canadian natural health products distribution business, for cash consideration of $13,443 (Cdn $14,000) at closing, plus up to $672 (Cdn $700) of contingent consideration if Purity achieved certain earnings targets during the one-year period following the closing date. The earnings targets were not met and, therefore, no contingent consideration was recognized. The divestiture of Purity completed the Company s exit from all non-core distribution businesses. Purity was formerly part of the Company s International Foods Group operating segment.

Colorado Sun Oil Processing LLC

On August 12, 2011, the Company disposed of its interest in the Colorado Sun Oil Processing LLC (CSOP) joint venture to Colorado Mills, LLC (Colorado Mills) pursuant to the outcome of related bankruptcy proceedings. CSOP operated a vegetable oil refinery adjacent to Colorado Mills sunflower crush plant. CSOP was formerly part of the Grains and Foods Group operating segment.

On June 18, 2013, the Company and Colorado Mills reached an agreement to settle a separate arbitration proceeding related to the joint venture agreement (see note 12). In connection with the settlement, the Company paid Colorado Mills $5,884, consisting of cash and equipment in use at the CSOP refinery. An accrual for the settlement, including accrued interest costs, was included in accounts payable and accrued liabilities on the consolidated balance sheet as at December 29, 2012. The expenses of CSOP included in discontinued operations for the quarter and two quarters ended June 29, 2013 and June 30, 2012, related to legal fees and period interest costs incurred by the Company in connection with the arbitration proceeding.

Operating Results Reported in Discontinued Operations

The following table presents the aggregate operating results of Purity and CSOP reported in earnings (loss) from discontinued operations:

		Quarter ended		Two quarters ended
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
	$	$	$	$
Revenues	-	11,700	-	26,914
Earnings (loss) before income taxes	(477)	188	(570)	490
Recovery of (provision for) income taxes	175	26	210	(85)
Earnings (loss) from discontinued operations, net of income	(302)	214	(360)	405

taxes

SunOpta Inc.
Notes to Consolidated Financial Statements
For the quarters ended June 29, 2013 and June 30, 2012
(Unaudited)
(Expressed in thousands of U.S. dollars, except per share amounts)

4. Derivative Financial Instruments and Fair Value Measurements

The following table presents for each of the fair value hierarchies, the assets and liabilities that are measured at fair value on a recurring basis as of June 29, 2013 and December 29, 2012:

				June 29, 2013
	Fair value asset (liability) $	Level 1 $	Level 2 $	Level 3 $
(a) Commodity futures and forward contracts[1]				
Unrealized short-term derivative asset	3,518	339	3,179	-
Unrealized long-term derivative asset	276	-	276	-
Unrealized short-term derivative liability	(2,962)	-	(2,962)	-
Unrealized long-term derivative liability	(163)	-	(163)	-
(b) Inventories carried at market[2]	15,405	-	15,405	-
(c) Interest rate swaps[3]	(98)	-	(98)	-
(d) Forward foreign currency contracts[4]	64	-	64	-
(e) Contingent consideration[5]	(3,245)	-	-	(3,245)

				December 29, 2012
	Fair value asset (liability) $	Level 1 $	Level 2 $	Level 3 $
(a) Commodity futures and forward contracts[1]				
Unrealized short-term derivative asset	3,184	690	2,494	-
Unrealized long-term derivative asset	93	-	93	-
Unrealized short-term derivative liability	(1,623)	-	(1,623)	-
Unrealized long-term derivative liability	(43)	-	(43)	-
(b) Inventories carried at market[2]	15,426	-	15,426	-
(c) Interest rate swaps[3]	(396)	-	(396)	-
(d) Forward foreign currency contracts[4]	(327)	-	(327)	-
(e) Contingent consideration[5]	(4,398)	-	-	(4,398)

(1) Unrealized short-term derivative asset is included in prepaid expenses and other current assets, unrealized long-term derivative asset is included in other assets, unrealized short-term derivative liability is included in other current liabilities and unrealized long-term derivative liability is included in long-term liabilities on the consolidated balance sheets.
(2) Inventories carried at market are included in inventories on the consolidated balance sheets.
(3) The interest rate swaps are included in long-term liabilities on the consolidated balance sheets.
(4) The forward foreign currency contracts are included in accounts receivable or accounts payable and accrued liabilities on the consolidated balance sheets.
(5) Contingent consideration obligations are included in long-term liabilities (including the current portion thereof) on the consolidated balance sheets.

(a) Commodity futures and forward contracts

The Company s derivative contracts that are measured at fair value include exchange-traded commodity futures and forward commodity purchase and sale contracts. Exchange-traded futures are valued based on unadjusted quotes for identical assets priced in active markets and are classified as level 1. Fair value for forward commodity purchase and sale contracts is estimated based on exchange-quoted prices adjusted for differences in local markets. Local market adjustments use observable inputs or market transactions for similar assets or liabilities and, as a result, are classified as level 2. Based on historical experience with the Company s suppliers and customers, the Company s own credit risk, and the Company s knowledge of current market conditions, the Company does not view non-performance risk to be a significant input to fair value for the majority of its forward commodity purchase and sale contracts.

SunOpta Inc.
Notes to Consolidated Financial Statements
For the quarters ended June 29, 2013 and June 30, 2012
(Unaudited)
(Expressed in thousands of U.S. dollars, except per share amounts)

These exchange-traded commodity futures and forward commodity purchase and sale contracts are used as part of the Company s risk management strategy, and represent economic hedges to limit risk related to fluctuations in the price of certain commodity grains, as well as the price of cocoa. These derivative instruments are not designated as hedges for accounting purposes. Gains and losses on changes in the fair value of these derivative instruments are included in cost of goods sold on the consolidated statement of operations. For the quarter ended June 29, 2013, the Company recognized a loss of $199 (June 30, 2012 loss of $1,215) and for the two quarters ended June 29, 2013, the Company recognized a loss of $942 (June 30, 2012 loss of $1,897).

At June 29, 2013, the notional amounts of open commodity futures and forward purchase and sale contracts were as follows (in thousands of bushels):

		Number of bushels purchase (sale)
	Corn	Soybeans
Forward commodity purchase contracts	916	597
Forward commodity sale contracts	(1,878)	(1,260)
Commodity futures contracts	627	28

In addition, as at June 29, 2013, the Company also had open forward contracts to sell 194 lots of cocoa.

(b) Inventories carried at market

Grains inventory carried at fair value is determined using quoted market prices from the Chicago Board of Trade (CBoT). Estimated fair market values for grains inventory quantities at period end are valued using the quoted price on the CBoT adjusted for differences in local markets, and broker or dealer quotes. These assets are placed in level 2 of the fair value hierarchy, as there are observable quoted prices for similar assets in active markets. Gains and losses on commodity grains inventory are included in cost of goods sold on the consolidated statements of operations. As at June 29, 2013, the Company had 333,699 bushels of commodity corn and 735,075 bushels of commodity soybeans in inventories carried at market.

(c) Interest rate swaps

As at June 29, 2013, Opta Minerals held interest rate swaps with a notional value of Cdn $44,375 in the aggregate to pay fixed rates of 1.85% to 2.02%, plus a margin of 2.0% to 3.5% based on certain financial ratios of Opta Minerals, and receive a variable rate based on various reference rates including prime, bankers acceptances or LIBOR, plus the same margin, until May 2017. The net notional value decreases in accordance with the quarterly principal repayments on Opta Minerals non-revolving term credit facility (see note 7).

At each period end, the Company calculates the mark-to-market fair value of the interest rate swaps using a valuation technique using quoted observable prices for similar instruments as the primary input. Based on this valuation, the previously recorded fair value is adjusted to the current marked-to-market position. The marked-to-market gain or loss is placed in level 2 of the fair value hierarchy. As the interest rate swaps are designated as a cash flow hedge for accounting purposes, gains and losses on changes in the fair value of these derivative instruments are included on the consolidated statements of comprehensive earnings. For the quarter ended June 29, 2013, the Company recognized a gain of $614 (June 30, 2012 loss of $147), net of income tax of $160 (June 30, 2012 income tax benefit of $32), and for the two quarters ended June 29, 2013, the Company recognized a gain of $298 (June 30, 2012 loss of $190), net of income tax of $78 (June 30, 2012 income tax benefit of $35).

SunOpta Inc.
Notes to Consolidated Financial Statements
For the quarters ended June 29, 2013 and June 30, 2012
(Unaudited)
(Expressed in thousands of U.S. dollars, except per share amounts)

(d) Foreign forward currency contracts

As part of its risk management strategy, the Company enters into forward foreign exchange contracts to reduce its exposure to fluctuations in foreign currency exchange rates. For any open forward foreign exchange contracts at period end, the contract rate is compared to the forward rate, and a gain or loss is recorded. These contracts are placed in level 2 of the fair value hierarchy, as the inputs used in making the fair value determination are derived from and are corroborated by observable market data. While these forward foreign exchange contracts typically represent economic hedges that are not designated as hedging instruments, certain of these contracts may be designated as hedges. As at June 29, 2013, the Company had open forward foreign exchange contracts with a notional value of €1,315 and $8,155. Gains and losses on changes in the fair value of these derivative instruments are included in foreign exchange loss (gain) on the consolidated statements of operations. For the quarter ended June 29, 2013, the Company recognized a loss of $223 (June 30, 2012 loss of $11), and for the two quarters ended June 29, 2013, the Company recognized a gain of $391 (June 30, 2012 gain of $469).

(e) Contingent consideration

The fair value measurement of contingent consideration arising from business acquisitions is determined using unobservable (level 3) inputs. These inputs include: (i) the estimated amount and timing of the projected cash flows on which the contingency is based; and (ii) the risk-adjusted discount rate used to present value those cash flows. For the quarter and two quarters ended June 29, 2013, the change in the fair value of the contingent consideration liability reflected related payments of $1,074 in the aggregate, as well as (i) changes in the probability of achievement of the factors on which the contingencies are based, (ii) the accretion of interest expense, and (iii) changes in foreign currency exchange rates, which were not material individually or in the aggregate.

5. Inventories

	June 29, 2013	December 29, 2012
	$	$
Raw materials and work-in-process	152,611	169,269
Finished goods	76,193	63,621
Company-owned grain	25,863	27,335
Inventory reserves	(5,260)	(4,487)
	249,407	255,738

SunOpta Inc.
Notes to Consolidated Financial Statements
For the quarters ended June 29, 2013 and June 30, 2012
(Unaudited)
(Expressed in thousands of U.S. dollars, except per share amounts)

6. Investments

As at June 29, 2013, the Company determined that the carrying value of its equity investment in Mascoma was impaired and an other-than-temporary impairment loss of $21,495 was recorded on the consolidated statement of operations for the quarter ended June 29, 2013.

On August 31, 2010, the Company sold 100% of its ownership interest in SunOpta BioProcess Inc. to Mascoma in exchange for an equity ownership position in Mascoma, consisting of preferred stock, common stock and warrants to purchase common stock of Mascoma. The Company accounts for its investment in Mascoma using the cost method, as the Company does not have the ability to exercise significant influence over the operating and financial policies of Mascoma.

In evaluating whether its investment in Mascoma is recoverable each reporting period, the Company considers information relevant to the estimation of Mascoma s enterprise value and stock price, including external factors such as the stock prices of comparable publicly-traded renewable energy companies. The Company also considers the commercial viability and future earnings prospects of Mascoma s products and technologies, as well as Mascoma s ability to raise additional capital to fund its operational requirements.

As at June 29, 2013, the Company concluded that its investment in Mascoma was impaired and that the impairment was other-than-temporary, based on information provided by Mascoma and consideration of external factors. Consequently, the Company completed a valuation analysis based on available information and determined that the estimated fair value of its investment in Mascoma was $12,350 as at June 29, 2013.

In subsequent reporting periods, the Company will continue to evaluate whether events or changes in circumstances have occurred that may have a significant adverse effect on its ability to recover the new cost base of its investment in Mascoma.

7. Bank Indebtedness and Long-Term Debt

	June 29, 2013 $	December 29, 2012 $
Bank indebtedness:		
North American credit facilities(1)	74,623	75,700
European credit facilities(2)	51,089	44,611
Opta Minerals revolving term credit facility(3)	17,265	10,750
	142,977	131,061
Long-term debt:		
Opta Minerals non-revolving term credit facility(3)	45,401	50,315
Lease obligations(4)	6,542	7,219
Other	572	664
	52,515	58,198
Less: current portion	6,393	6,925
	46,122	51,273

(1) North American credit facilities

The syndicated North American credit facilities support the core North American food operations of the Company.

On July 27, 2012, the Company entered into an amended and restated credit agreement with a syndicate of lenders. The amended agreement provides secured revolving credit facilities of Cdn $10,000 (or the equivalent U.S. dollar amount) and $165,000, as well as an additional $50,000 in availability upon the exercise of an uncommitted accordion feature. These facilities mature on July 27, 2016, with the outstanding principal amount repayable in full on the maturity date.

SunOpta Inc.
Notes to Consolidated Financial Statements
For the quarters ended June 29, 2013 and June 30, 2012
(Unaudited)
(Expressed in thousands of U.S. dollars, except per share amounts)

Interest on borrowings under the facilities accrues based on various reference rates including LIBOR, plus an applicable margin of 1.75% to 2.50%, which is set quarterly based on average borrowing availability. As at June 29, 2013, the weighted-average interest rate on the facilities was 2.44%.

The facilities are collateralized by substantially all of the assets of the Company and its subsidiaries, excluding Opta Minerals and The Organic Corporation (TOC).

(2) European credit facilities

The European credit facilities support the global sourcing, supply and processing capabilities of the International Foods Group.

On September 25, 2012, TOC and certain of its subsidiaries entered into a credit facilities agreement with two lenders, which provides for a €45,000 revolving credit facility covering working capital needs and a €3,000 pre-settlement facility covering currency hedging requirements. As of June 29, 2013 and December 29, 2012, €34,454 ($44,845) and €30,262 ($39,995), respectively, of this facility had been utilized. The revolving credit facility is secured by the working capital of TOC and certain of its subsidiaries. The revolving credit facility and pre-settlement facility are due on demand with no set maturity date, and the credit limit may be extended or adjusted upon approval of the lenders. Interest costs under the facilities accrue based on either a loan margin of 1.75% or an overdraft margin of 1.85% plus the cost of funds as set by each of the lenders on a periodic basis. The cost of funds as set by the lenders was 0.11% at June 29, 2013.

On March 26, 2012, TOC entered into a €4,990 credit facility to pre-finance the construction of equipment for a cocoa processing facility to be located in Middenmeer, the Netherlands. As of June 29, 2013 and December 29, 2012, €4,794 ($6,244) and €3,493 ($4,616), respectively, of this facility had been utilized to fund the construction in process. Interest on borrowings under this facility accrues at 3.8%. Upon completion of the assets under construction, borrowings under this facility will be repaid through a long-term lease facility (as described below under (4)).

On May 22, 2013, a subsidiary of TOC entered into a revolving credit facility agreement to provide up to €4,500 to cover the working capital needs of TOC s Bulgarian operations. The facility is secured by the accounts receivable and inventories of the Bulgarian operations and is fully guaranteed by TOC. Interest accrues under the facility based on Euribor plus a margin of 2.75%, and borrowings under the facility are repayable in full on April 30, 2014. As of June 29, 2013, no amount was borrowed under this facility.

(3) Opta Minerals credit facilities

These credit facilities are specific to the operations of Opta Minerals.

On July 24, 2012, Opta Minerals amended its credit agreement dated May 18, 2012, to provide for a Cdn $15,000 revolving term credit facility and a Cdn $52,500 non-revolving term credit facility. The revolving term credit facility matures on August 14, 2014, with the outstanding principal amount repayable in full on the maturity date. The principal amount of the non-revolving term credit facility is repayable in equal quarterly installments of approximately Cdn $1,312. Opta Minerals may be required to make additional repayments on the non-revolving term credit facility if certain financial covenants are not met (see below). The non-revolving term credit facility matures on May 18, 2017, with the remaining outstanding principal amount repayable in full on the maturity date.

Interest on the borrowings under these facilities accrues at the borrower s option based on various reference rates including LIBOR, plus an applicable margin of 2.00% to 3.50% based on certain financial ratios of Opta Minerals. Opta Minerals utilizes interest rate swaps to hedge the interest payments on a portion of the borrowings under the non-revolving term credit facility (see note 4). As at June 29, 2013, the weighted-average interest rate on the credit facilities was 5.37%, after taking into account the related interest rate hedging activities.

(Expressed in thousands of U.S. dollars, except per share amounts)

The credit facilities are collateralized by a first priority security interest on substantially all of the assets of Opta Minerals.

On April 30, 2013, Opta Minerals amended its credit agreement with its lenders to increase the revolving term credit facility to Cdn $20,000. On the same date, certain financial covenants under the credit agreement were amended for the periods ending June 30, 2013 and September 30, 2013. On June 28, 2013, the credit agreement was further amended in respect of certain financial covenants for the periods ended June 30, 2013, September 30, 2013 and December 31, 2013. Opta Minerals was in compliance with all of its financial covenants as at June 30, 2013.

(4) Lease obligations

On October 1, 2012, TOC entered into a €4,990 lease facility to provide for long-term financing on equipment for the cocoa processing facility in the Netherlands. Interest on this facility accrues at an effective rate of 5.9% and the facility matures on October 1, 2019. Principal and accrued interest is repayable in equal monthly installments of €73. Borrowings under this facility are recorded as restricted cash on the consolidated balance sheet at June 29, 2013 and December 29, 2012, as this amount will be applied to the repayment of the credit facility used to pre-finance the construction of the equipment (as described above under (2)).

8. Stock-Based Compensation

For the two quarters ended June 29, 2013, the Company granted 934,000 options to employees that vest ratably on each of the first through fifth anniversary of the grant date and expire on the tenth anniversary of the grant date. These options had a weighted-average grant-date fair value of $4.39 per option. The following table summarizes the weighted-average assumptions used in the Black-Scholes option pricing model to determine the fair value of the options granted:

Exercise price	$	7.35
Dividend yield		0%
Expected volatility		63.3%
Risk-free interest rate		1.2%
Expected life of options (in years)		6.5

SunOpta Inc.
Notes to Consolidated Financial Statements
For the quarters ended June 29, 2013 and June 30, 2012
(Unaudited)
(Expressed in thousands of U.S. dollars, except per share amounts)

9. Other Expense, Net

The components of other expense are as follows:

		Quarter ended		Two quarters ended
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
	$	$	$	$
(a) Severance and other rationalization costs	581	978	868	1,295
(b) Acquisition-related transaction costs	-	200	127	401
Other	66	200	17	46
	647	1,378	1,012	1,742

(a) Severance and other rationalization costs

For the quarter and two quarters ended June 29, 2013, Opta Minerals incurred severance and other costs in connection with the rationalization and integration of WGI Heavy Metals, Incorporated (WGI), which was acquired in August 2012. In addition, the Company recorded employee severance and other costs in connection with the closure of the Chelmsford, Massachusetts administrative office of the Ingredients Group and the related relocation of certain back- office functions to the Company s corporate office located in Edina, Minnesota.

For the quarter and two quarters ended June 30, 2012, the Company recorded employee severance and other costs in connection with the rationalization of a number of operations and functions within SunOpta Foods in an effort to streamline operations, which included a reduction in its salaried workforce of approximately 6%, as well as severance payable to a former executive officer.

(b) Acquisition-related transaction costs

For the two quarters ended June 29, 2013, the Company incurred transaction costs in connection with the acquisition of OLC (see note 2). For the quarter and two quarters ended June 30, 2012, Opta Minerals incurred transaction costs related to the acquisitions of WGI and Babco Industrial Corp., which was acquired in February 2012.

SunOpta Inc.
Notes to Consolidated Financial Statements
For the quarters ended June 29, 2013 and June 30, 2012
(Unaudited)
(Expressed in thousands of U.S. dollars, except per share amounts)

10. Earnings (Loss) Per Share

Earnings (loss) per share are calculated as follows:

	Quarter ended		Two quarters ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
Earnings (loss) from continuing operations attributable to SunOpta Inc.	$ (14,979)	$ 7,255	$ (9,796)	$ 12,956
Earnings (loss) from discontinued operations, net of income taxes	(302)	890	(360)	1,081
Earnings (loss) attributable to SunOpta Inc.	$ (15,281)	$ 8,145	$ (10,156)	$ 14,037
Basic weighted-average number of shares outstanding	66,202,211	65,854,718	66,147,358	65,832,112
Dilutive potential of the following:				
Employee/director stock options	979,281	566,949	888,566	511,094
Warrants	332,025	172,598	310,504	127,488
Diluted weighted-average number of shares outstanding	67,513,517	66,594,265	67,346,428	66,470,694
Earnings (loss) per share - basic:				
- from continuing operations	$ (0.23)	$ 0.11	$ (0.15)	$ 0.20
- from discontinued operations	-	0.01	(0.01)	0.02
	$ (0.23)	$ 0.12	$ (0.15)	$ 0.21
Earnings (loss) per share - diluted:				
- from continuing operations	$ (0.23)	$ 0.11	$ (0.15)	$ 0.19
- from discontinued operations	-	0.01	(0.01)	0.02
	$ (0.23)	$ 0.12	$ (0.15)	$ 0.21

For the quarter ended June 29, 2013, options to purchase 330,500 (June 30, 2012 - 2,103,700) common shares have been excluded from the calculation of potential dilutive common shares due to their anti-dilutive effect. For the two quarters ended June 29, 2013, options to purchase 1,713,400 (June 30, 2012 - 2,086,700) common shares have been excluded from the calculation of potential dilutive common shares due to their anti-dilutive effect.

For the quarter and two quarters ended June 29, 2013, all potential dilutive common shares were excluded from the calculation of diluted loss per share due to their anti-dilutive effect of reducing the loss per share.

SunOpta Inc.
Notes to Consolidated Financial Statements
For the quarters ended June 29, 2013 and June 30, 2012
(Unaudited)
(Expressed in thousands of U.S. dollars, except per share amounts)

11. Supplemental Cash Flow Information

		Quarter ended		Two quarters ended
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
	$	$	$	$
Changes in non-cash working capital, net of businesses acquired:				
Accounts receivable	(2,958)	694	(7,441)	(17,904)
Inventories	9,520	1,946	5,504	5,208
Income tax recoverable	864	655	371	1,497
Prepaid expenses and other current assets	(1,153)	2,663	1,766	2,894
Accounts payable and accrued liabilities	8,491	8,250	(9,578)	(4,810)
Customer and other deposits	427	(1,661)	4,393	3,732
	15,191	12,547	(4,985)	(9,383)

As at June 29, 2013, cash and cash equivalents included $3,718 (December 29, 2012 - $3,966) that was specific to Opta Minerals and cannot be utilized by the Company for general corporate purposes.

12. Commitments and Contingencies

(a) Colorado Sun Oil Processing LLC dispute

Colorado Mills and SunOpta Grains and Foods Inc. (formally Sunrich LLC, herein Grains and Foods), a wholly-owned subsidiary of the Company, organized a joint venture through CSOP. The purpose of the joint venture was to construct and operate a vegetable oil refinery adjacent to Colorado Mills sunflower seed crush plan